Negative P/E ratio

If a company is operating at a loss (if its earnings are negative) or if its earnings are zero, the P/E ratio (Price-to-Earnings ratio) will be negative when the denominator (Earnings Per Share) is a negative number, as per the formula.

Let the Stock Price (P) be ₺20. Let the Earnings Per Share (EPS) be -₺2.00 (meaning a ₺2.00 loss). 20/−2=−10, so the P/E ratio is -10. This only indicates that the company is operating at a loss. In this case, the P/E ratio is not used.

A P/E ratio of −10 might look "better" than a P/E ratio of −20, and that's technically correct. However, in practice, both ratios mean that the company is not profitable and, therefore, a P/E-based valuation cannot be performed.

The correct course of action would be to focus on the reasons for the loss.